PART IV

Section 1-A.

CENTRAL BILLS AND REPORTS OF SELECT COMMITTEES THEREON.

NOTIFICATION.

No. L.D. 1451—Legis. 3-52-17, Bangalore, dated 11th December 1952.

Ordered that the Reserve Bank of India (Amendment and Miscellaneous Provisions) Bill, 1952, which was introduced in the House of the People on 21st November 1952 and published in the *Gazette of India*, Part II, Section 2, dated the 29th November 1952, be republished in the *Mysore Gazette*, for general information.

By Order and in the name of the Rajpramukh,

N. R. JAYA RAO,
Legal Remembrancer and
Secretary to Government,
Law Department.

GOVERNMENT OF INDIA.

HOUSE OF THE PEOPLE.

The following Bill was introduced in the House of the People on 21st November, 1952 :—

BILL NO. 119 OF 1952.

A Bill further to amend the Reserve Bank of India Act, 1934 and to make special provisions in respect of certain high denomination bank notes.

BE it enacted by Parliament as follows :—

1. **Short title.**—This Act may be called the Reserve Bank of India (Amendment and Miscellaneous Provisions) Act, 1952.

2. **Amendment of section 8, Act II of 1934.**—For the proviso to sub-section (3) of section 8 of the Reserve Bank of India Act, 1934 (hereinafter referred to as the principal Act), the following proviso shall be substituted, namely:—

"Provided that when the Governor is, for any reason, unable to attend any such meeting, a Deputy Governor authorised by him in this behalf in writing may vote for him at that meeting.".

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3. Amendment of section 17, Act II of 1934.—In section 17 of the principal Act,—

(*a*) to sub-clause (*b*) of clause (*2*), the following *Explanation* shall be added, namely :—

"*Explanation.*—For the purposes of this sub-clause,—

(*i*) the expression "agricultural operations" includes animal husbandry and allied activities jointly undertaken with agricultural operations.;

(*ii*) "crops" include products of agricultural operations;

(*iii*) the expression "marketing of crops" includes the processing of crops prior to marketing by agricultural producers or any organization of such producers.";

(*b*) after sub-clause (*b*) of clause (*2*), the following sub-clause shall be inserted, namely :—

"(*bb*) the purchase, sale and rediscount of bills of exchange and promissory notes drawn and payable in India and bearing two or more good signatures, one of which shall be that of a State Co-operative Bank or a State Financial Corporation, and drawn or issued for the purpose of financing the production or marketing activities of cottage and small scale industries approved by the Bank and maturing within twelve months from the date of such purchase or rediscount, exclusive of days of grace provided that the payment of the principal and interest of such bills of exchange or promissory notes is fully guaranteed by the State Government.";

(*c*) after clause (*4*), the following clause shall be inserted, namely :—

"(4A) the making to State Co-operative Banks of loans and advances, repayable on the expiry of fixed periods not being less than fifteen months and not exceeding five years against such securities as may be specified in this behalf by the Central Board;

Provided that—

(*a*) such loans and advances are fully guaranteed as to the principal and interest by the State Government; and

(*b*) the amount of loans and advances granted to any State Co-operative Bank shall not exceed the owned funds of such a bank:

Provided further that the amount of loans and advances granted by the Bank under this clause shall not at any time exceed five crores of rupees in the aggregate.

(*4B*) the making to the Industrial Finance Corporation of India established under the Industrial Finance Corporation Act, 1948 (XV of 1948) of loans and advances,—

(*a*) against securities of the Central Government or of any State Government, repayable on demand or on the expiry of fixed periods not exceeding ninety days from the date of such loan or advance; or

(*b*) against securities of the Central Government or against bonds and debentures issued by the said Corporation and guaranteed by the Central Government maturing and repayable within a period not exceeding eighteen months from the date of such loan or advance :

Provided that the amount of loans and advances granted under clause (*b*) shall not at any time exceed three crores of rupees in the aggregate."

4. Amendment of section 24, Act II of 1934.—In section 24 of the principal Act, after the words 'one thousand rupees' the words 'five thousand rupees' shall be inserted.

5. Amendment of section 40, Act II of 1934.—In section 40 of the principal Act, after the words 'or Madras' the words 'or at such of its branches as the Central Government may, by order, determine' shall be inserted.

6. Amendment of section 42, Act II of 1934.—In section 42 of the principal Act,—

(*a*) in the *Explanation* to sub-section (*1*), after the words 'the Reserve Bank' the words 'or the Imperial Bank of India' shall be inserted;

(*b*) in sub-section (*2*),—

(i) to clause (*a*), the words 'other than the Imperial Bank of India' shall be added;

(ii) after clause (*a*), the following clause shall be inserted, namely:—

"(*aa*) the amount of its borrowings from the Imperial Bank of India, classifying them into demand and time liabilities;";

(iii) in clause (*g*), after the words 'discounted in India' the words 'and foreign bills purchased and discounted' shall be inserted.

7. Insertion of new section 43A in Act II of 1934.—After section 43 of the principal Act, the following section shall be inserted, namely:—

"43A. *Protection of action taken in good faith.*—(*1*) No suit or other legal proceeding shall lie against the Bank or any of its officers for anything which is in good faith done or intended to be done in pursuance of section 42 or section 43.

(*2*) No suit or other legal proceeding shall lie against the Bank or any of its officers for any damage caused or likely to be caused by anything which is in good faith done or intended to be done in pursuance of section 42 or section 43."

8. Amendment of section 58, Act II of 1934.—In clause (*h*) of sub-section (*2*) of section 58 of the principal Act, the words 'to the Governor, or' shall be omitted.

9. Ordinance III of 1946 not to apply to certain high denomination bank notes.—Nothing contained in the High Denomination Bank Notes (Demonetisation) Ordinance, 1946 (III of 1946) shall apply to any bank note of the denominational value of five hundred rupees, one thousand rupees or ten thousand rupees issued after the commencement of this Act, but no such bank note issued before the 13th day of January, 1946, shall be legal tender in payment or on account of the amount expressed therein at any place in India.

STATEMENT OF OBJECTS AND REASONS.

For some time past there has been a persistent demand for extending the facilities provided by the Reserve Bank of India to meet the needs of rural credit. As a result of the examination of the various proposals in this behalf, it is considered necessary to amend the Reserve Bank of India Act, 1934, for enlarging its scope with a view to enabling it to participate more effectively in financing the requirements of rural areas. The principal amendments to the Bill are intended to—

(1) widen the scope of the terms 'crops', 'agricultural operations' and 'marketing of crops' used in section 17(2)(b) of the Act, so that finance may

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also be made available for production and marketing of commodities, such as, gur, milk, cream, butter, ghee, etc., and also for processing of goods where such processing is a necessary preliminary to marketing, *e.g.*, hulling of rice, ginning and pressing of cotton, etc.;

(2) provide accommodation to the State Co-operative Banks and State Financial Corporations for financing the production and marketing activities of cottage and small-scale industries, where the repayment of the principal and payment of interest is guaranteed by the State Government;

(3) enable the Bank to dispense medium-term credit for agricultural purposes for periods ranging more than 15 months but not exceeding 5 years.

As proposed in the Industrial Finance Corporation (Amendment) Bill, 1952, provision is also being made to enable the Bank to give short-term credit facilities to the Corporation. The Bill incorporates certain minor amendments found necessary as a result of the experience gained in the working of the Bank.

NEW DELHI;

C. D. DESHMUKH.

The 15th November 1952.

Notes on Clauses.

Clause 2.—The amendment is for clarification.

Clause 3.—The reasons for amending clause (2) of Section 17 of the Act have already been explained in the Statement of Objects and Reasons. The objective of inserting a new clause (4A) has also been explained therein. The new clause (4B) is intended for granting short-term financial accommodation to the Industrial Finance Corporation. This is necessary for the successful operation of the Corporation.

Clauses 4 and 9.—High denomination notes were demonetised in 1946 under the High Denomination Bank Notes (Demonetisation) Ordinance, 1946 (III of 1946) In view of the serious inconvenience caused to the public by the withdrawal of high denomination notes, it has been decided to reintroduce the notes as early as possible. New series of notes will now be issued and the intention is to issue Rs. 1,000, Rs. 5,000 and Rs. 10,000 denomination notes only. As issue of Rs. 5,000 denomination notes is not at present authorised under Section 24 of the Act, it is necessary to amend that section also in addition to the amendment of the above Ordinance.

Clause 5.—It will be made obligatory on the Bank to provide foreign exchange facilities at the prescribed rates and conditions at any of the branches of the Bank as may be determined by the Central Government.

Clause 6.—Borrowings from the Imperial Bank will have to be exhibited separately in the Weekly Returns of scheduled banks and such borrowings are to be excluded from their demand and time liabilities in India.

Clause 7.—This new section is being inserted on the lines of section 54 of the Banking Companies Act, 1949, to give protection to the bank against any suits or actions claiming damages.

Clause 8.—Since section 7 (3) gives the Governor concurrent powers with the Central Board, it is no longer necessary to provide for delegation of powers to him under the Regulations.

M. N. KAUL,

Secretary.